

**Testimony before the Joint Committee on the Master Plan for  
Higher Education**

Affordability and Financial Aid

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Good morning, Chairs Assembly Member Ruskin, Senator Negrete-McLeod and members of the Joint Committee on the Master Plan for Higher Education. My name is Diana Fuentes-Michel and I am the executive director of the California Student Aid Commission. Thank you for the opportunity to address you on the challenge of paying for higher education and the role that finances play in a student's decision to enroll and stay in school. Across our State and nation, students and their families are finding it harder to find the resources necessary to pay for college. Just at the time that our state needs more college graduates, the difficulty of financing a college education is making the goal of college graduation increasingly difficult to achieve.

There is growing need for our state to expand our capacity to graduate a larger number of students--1 million more graduates by 2025. This workforce need comes at a time when our state faces a \$20 billion budget deficit and stable funding for higher education is threatened. This challenge comes when college students today face unpredictable increases in the cost of their education, greater student demand for financial aid as families find themselves under-employed or unemployed, tightening of loan availability, reduction in private scholarship and grant aid due to reductions in endowment funding, and higher student unemployment.

A recent 2009 study by the Public Agenda group, “With Their Whole Lives Ahead of Them: Myths and Realities About Why So Many Students Fail to Finish College,” found that students leave college because they have to work and go to school at the same time. Despite their best efforts, the stress of work and study just becomes too difficult for them to persist in college.

- Among students in four-year schools, 45 percent work more than 20 hours a week.
- Among those attending community colleges, 6 in 10 work more than 20 hours a week; and more than a quarter work more than 35 hours a week.
- Just 25 percent of students attend a residential college.
- Twenty-three percent of college students have dependent children.

These findings show that we need to carefully consider how to arrest the rising cost of going to college and to focus the delivery of academic programs and services around the financial realities that students face. The findings particularly give rise to increasing concerns about how our State will facilitate the education of the growing group of non-traditional college going students – those who need at least one-year of postsecondary education and/or training to gain meaningful employment.

Your committee staff has asked that I address two key policy areas:

1. Features and benefits of the State’s existing Cal Grant Program and how the mission of the Cal Grant program is aligned with the current Master Plan goals of access, affordability and accountability; and
2. How we might improve or change the existing Cal Grant program so that more Californians can obtain bachelor degrees to support our future workforce needs.

## CAL GRANT PROGRAM AND HOW IT ACHIEVES ITS MISSION AS STATED IN THE MASTER PLAN

The State-funded Cal Grant program serves more than 303,000 new and continuing students enrolled in public, private independent and for profit colleges and universities. The Cal Grant program is designed to provide portability--meaning that the Cal Grant award is granted to the student for the duration of his or her academic or career education program (as long as satisfactory academic progress is made within the time limitations prescribed). It can be used at any of the over 350 participating institutions within California for both academic and career educational programs.

The program is funded through over \$1 billion from the state's General Fund and is administered through three major categories:

- Cal Grant Entitlement is for entering freshman and transfer students;
- Cal Grant Competitive is for older, reentry students; and
- Cal Grant C is a program for students entering short-term career education training programs.

The Cal Grant program provides partial tuition coverage at our private institutions (up to \$9,708) and system wide fee coverage for those attending our public universities (up to \$7,788 at the University of California and \$4,026 at the California State University). The Cal Grant B "access" grant, of up to \$1551, assists low-income students with their cost of attendance. The Cal Grant C program provides up to \$3,168 for career technical students to meet the cost of training equipment and materials.

The Cal Grant program is an efficient and effective way of increasing the numbers of students who can gain access to education and training.

The Cal Grant program increases the likelihood of low and middle-income students enrolling and successfully completing their education and training and it reduces their student debt.

Grant aid, and the amount of the grant, significantly matters to students who cannot afford to attend college without financial aid.

A student's ability to enroll is also dependent upon how much loan debt must be carried to attend college. A recent study completed by the Project on Student Debt found that California has ranked in the bottom ten of states nationally on the average debt of their colleges and university graduates. In 2008, an estimated 48 percent of students graduating from four-year public and private schools in California had debt. Their loan debt averaged \$17,795 per graduate compared to \$23,200 nationally. Debt at California's public universities ranges from roughly \$11,000 to \$18,000. The Project on Student Debt has attributed the lower debt of California students to our State's fee and aid policies, which have retained Cal Grant aid as a State General Fund priority.

The Cal Grant program is an investment with proven return. A 2004 study of a cohort of more than 100,000 California financial aid applicants over four years found that a key factor in their staying in school was receiving a Cal Grant. The most clear-cut finding in the study was that persistence -- staying in school and graduating -- is high among Cal Grant recipients. Seventy-three percent of Cal Grant recipients were continuously enrolled in a four-year college after four years and 85 percent were enrolled somewhere in the higher education system. The study demonstrates that a Cal Grant stands out as a factor in a student's ability to persist, regardless of other factors that may influence a student's progress towards education goals, such as family background or prior academic achievement.

Another important priority in your policy discussions is to ensure that students are aware financial aid is available, so that the cost of a college

education does not constitute a barrier to enrolling in college. President Obama has established a goal of every student completing at least one year of postsecondary education or training beyond high school. It is important that all youth, particularly those who are underserved, get help in applying for aid and receiving that for which they are eligible. It is important that they not give up on going to college or gaining the career education and training they need.

The Commission's Cash for College and California Student Opportunity and Access Program (known as Cal-SOAP) work with the high schools, community colleges, public and private colleges, universities, career technical schools, foundations, business and community-based groups, to provide that public awareness and financial application assistance. The Commission believes that this help is essential to ensuring that potential students are aware that financial assistance is available. These programs are presently funded by federal funds, which will expire this fall.

In 2008, Cash for College entered into a five-year performance-based study (PBS) with MDRC, a nonprofit, nonpartisan social policy research organization that is dedicated to learning what works to improve the well-being of low-income people. MDRC, with funds provided through the Bill and Melinda Gates Foundation, is offering scholarships of varying amounts and duration to select Cash for College attendees in order to determine what funding combination works best to promote student persistence through college. California is one of six national studies MDRC is currently conducting, and the largest in scope. Through this study MDRC hopes to answer these questions:

- What is the impact of performance-based scholarships on academic outcomes?
- How does variation in the amount and duration of scholarships affect academic outcomes?

- For which types of students do the scholarships work best?
- How do the scholarships affect students' academic motivation and behavior?
- What effect does a performance-based scholarship have on how students spend their time and on their mental well-being?

By the end of this year, initial data sets from this study will become available. In three years MDRC will publish their complete findings, perhaps with recommendations addressing the following policy area.

#### HOW THE CAL GRANT PROGRAM CAN BE IMPROVED OR CHANGE TO MEET THE WORKFORCE NEEDS OF THE STATE

Each year in the State Budget Act, the Governor proposes and the Legislature approves a maximum income and asset ceiling for qualifying for the Cal Grant program. Students must meet these requirements and qualify for Cal Grant aid by meeting federal and state financial need and academic requirements.

All California high school graduates who meet these requirements qualify for Cal Grant funding. California high school graduates who choose to enroll in the California Community Colleges first, may qualify for the Cal Grant Transfer Entitlement program when they are ready to transfer to a four-year institution.

Students who do not meet these requirements are eligible to participate in the Cal Grant Competitive or Cal Grant C programs. Award levels are approved each year in the State Budget Act. Student demand for these programs has annually far surpassed the Commission's ability to serve these students. The number of Cal Grant Competitive and C awards has remained static since 2000-01 when the Cal Grant Entitlement program was enacted.

Each year, the Cal Grant Competitive program awards 22,500 awards and Cal Grant C awards 7,761 awards. In the Competitive Program, one award is granted for every six or 16 percent of qualifying applicants. Last year, more than 136,600 qualified applicants went unserved. The number of qualifying Cal Grant C recipients has historically exceeded the number of awards by at least 100 percent.

The Commission urges the Committee to maintain the guarantee of financial aid for high school seniors and community college transfer students through the Cal Grant Entitlement. It is a proven investment in the successful completion of students from college. Additionally, in this economic environment, we need to expand the educational opportunities of Californians who need to return to school to receive education and training to find meaningful employment. We need to make sure the Cal Grant Competitive and C programs remain funded. In partnership with private business, foundations and community groups, the Commission has created a successful effort to inform students and their families of the availability of financial aid. We know that these programs work, at little cost with maximum benefit. The Commission's administrative budget is less than one percent of all funds administered.

The Commission encourages the Joint Committee to prioritize the reestablishment of a fee and aid policy that is predictable and stable coupled with sufficient financial aid, and that provides timely information for students and their parents about the line of financing expected. The Commission supports the continuation of the Cal Grant Program focus on high school seniors and transfer students as well as a continued competitive program for reentry adults.

The impact of your decision will affect this generation of young people who, if not addressed, will feel shut out of higher education solely due to the lack of money. If they are unable to afford college, they will not

receive the education and training to meet their potential. Without education and training, they will not enter the economic mainstream, and hope in their future will be a casualty.

The Commission and I thank you for the opportunity to address you today.